

THE AUDIT PROCESS

General Requirements - Audit Planning

APPROVAL/TRANSMITTAL

This directive provides policy and guidance on the OIG audit planning process. This supersedes IG-7211, dated July 1992. Remove and destroy previous editions.

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Inspector General

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A. POLICY. OIG is responsible for providing adequate audit coverage over the programs and activities of USDA.

B. PROCEDURES

1. Profiles shall be developed by the applicable Division to ensure that each USDA program and function shall be given due consideration for audit. Profiles will constitute the USDA audit universe (as required by OMB Circular No. A-73) and will be updated as needed, but at a minimum annually. Profiles consist, in part, of a description of an agency's legislative authority, organizational structure, funding mechanisms, major accounting and management information systems, and program delivery systems and internal controls. Among the factors to be considered in the development of the profiles include the following.

a. Recent major legislation and new, unaudited regulatory requirements.

b. Inherent high vulnerability associated with programs which have high dollar disbursements and/or receipts and programs which affect the health, safety, and welfare of individuals.

c. Areas that are sensitive or of heightened interest to the Congress, Administration, or the public.

d. Areas suggested by management for audit coverage.

e. The need to conduct followup audits (of work performed by either OIG or GAO) determined by the following.

Distribution: B

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(1) The degree of historical management responsiveness.

(2) The complexity and/or sensitivity of final actions to be taken.

(3) The materiality of control deficiencies previously noted. Unless special circumstances exist, followup should not be undertaken on any audit where final action has not yet been achieved. Further, a reasonable period of time after the achievement of final action should usually be allowed in order to permit the revised practices to function (and thus establish a sufficient audit trail).

(4) Time lapse since the last audit (recognizing program and management changes).

f. Results of agency-performed or commissioned internal or external reviews and studies.

g. Results of prior investigations.

2. Strategies shall be developed by the applicable Division to identify and consolidate areas that warrant audit coverage in the upcoming fiscal year's audit plan. Strategies will be developed from the profiles to facilitate the audit planning process and optimize efficient use of audit resources. Strategies should be amended as needed but reassessed, at a minimum, semiannually.

3. Each organizational unit within Audit will initiate proposals to be included in the annual plan utilizing the strategies and information from any and all other sources. Audit proposals will be prepared on a CAP-1 (Audit Planning Form 1).

4. Although a formal audit plan will be prepared annually and updated, at a minimum, semiannually, planning is a continuous process. Proposals to conduct surveys or audits should be forwarded to the AIG/A as soon as material and/or sensitive issues are identified. Further, if nationwide or multi-regional surveys are completed between planning meetings, requests to perform major audits should be submitted promptly to the AIG/A if circumstances warrant. Audits will be approved based upon the significance of the issues identified and the availability of audit resources.

5. Audits that are potentially nationwide, multi-regional, or otherwise resource-intensive must be preceded by surveys (unless otherwise approved by the AIG/A) to provide reasonable assurance an audit is warranted and to isolate and solidify auditable areas.

6. The annual audit plan document will be distributed to the Secretary, Deputy Secretary, Under and Assistant Secretaries, agency heads, the CFO, agency liaison officers, OMB, and GAO.